



SECRETARY'S
159 486

THE PORT OF NEW YORK AUTHORITY

111 Eighth Avenue at 15th Street, New York, N.Y. 10011

Office of the Director of Finance

A. Gerdes Kuhbach, Director Telephone 626-7301

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RECORDATION NO. _____ Filed & Recorded
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INTERSTATE COMMERCE COMMISSION

April 16, 1971

The Trustees of the Property of Penn
Central Transportation Company
6 Penn Center
Philadelphia, Pennsylvania 19104

Attention: Mr. R.D. Timpany
Assistant Vice-president
Passenger Operations

Dear Sirs:

Pursuant to section 3 of the Lease of Railroad Equipment between The Port of New York Authority and the Trustees of the Property of Penn Central Transportation Company dated as of October 20, 1970, there is enclosed herewith a schedule of debt service on \$23,500,000, The Port of New York Authority State Guaranteed Commuter Car Bonds, Sixth Series, due 1971-1996.

Very truly yours

A. Gerdes Kuhbach
Director of Finance

cc: Hon. Theodore W. Parker, Commissioner
New York State Department of
Transportation

Robert Brooks, Esq.
General Solicitor
Penn Central Transportation Company

\$23,500,000 THE PORT OF NEW YORK AUTHORITY
STATE GUARANTEED COMMUTER CAR BONDS, SIXTH SERIES, DUE 1971-1996
NUMBERS SG(6)-1 TO SG(6)-4700

RENTAL DUE	DEBT SERVICE		
	PRINCIPAL	INTEREST	TOTAL
April 28, 1971	\$ 210,000.00	\$ 609,517.50	\$ 819,517.50
September 1, 1971	215,000.00	607,155.00	822,155.00
March 1, 1972	220,000.00	600,705.00	820,705.00
September 1, 1972	230,000.00	594,105.00	824,105.00
March 1, 1973	235,000.00	587,205.00	822,205.00
September 1, 1973	240,000.00	580,155.00	820,155.00
March 1, 1974	250,000.00	572,955.00	822,955.00
September 1, 1974	255,000.00	565,455.00	820,455.00
March 1, 1975	265,000.00	557,805.00	822,805.00
September 1, 1975	270,000.00	549,855.00	819,855.00
March 1, 1976	280,000.00	541,755.00	821,755.00
September 1, 1976	290,000.00	533,355.00	823,355.00
March 1, 1977	300,000.00	524,655.00	824,655.00
September 1, 1977	305,000.00	515,655.00	820,655.00
March 1, 1978	315,000.00	506,505.00	821,505.00
September 1, 1978	325,000.00	497,055.00	822,055.00
March 1, 1979	335,000.00	487,305.00	822,305.00
September 1, 1979	345,000.00	477,255.00	822,255.00
March 1, 1980	355,000.00	466,905.00	821,905.00
September 1, 1980	365,000.00	456,255.00	821,255.00
March 1, 1981	375,000.00	445,305.00	820,305.00
September 1, 1981	390,000.00	434,055.00	824,055.00
March 1, 1982	400,000.00	422,355.00	822,355.00
September 1, 1982	410,000.00	410,355.00	820,355.00
March 1, 1983	425,000.00	398,875.00	823,875.00
September 1, 1983	435,000.00	386,975.00	821,975.00
March 1, 1984	450,000.00	376,970.00	826,970.00
September 1, 1984	465,000.00	366,620.00	831,620.00
March 1, 1985	475,000.00	355,692.50	830,692.50
September 1, 1985	490,000.00	344,530.00	834,530.00
March 1, 1986	505,000.00	332,770.00	837,770.00
September 1, 1986	520,000.00	320,650.00	840,650.00
March 1, 1987	535,000.00	307,910.00	842,910.00
September 1, 1987	550,000.00	294,802.50	844,802.50
March 1, 1988	570,000.00	281,052.50	851,052.50
September 1, 1988	585,000.00	266,802.50	851,802.50
March 1, 1989	605,000.00	251,885.00	856,885.00
September 1, 1989	620,000.00	236,457.50	856,457.50
March 1, 1990	640,000.00	220,647.50	860,647.50
September 1, 1990	660,000.00	204,327.50	864,327.50
March 1, 1991	680,000.00	187,497.50	867,497.50
September 1, 1991	700,000.00	170,157.50	870,157.50
March 1, 1992	720,000.00	151,957.50	871,957.50
September 1, 1992	745,000.00	133,237.50	878,237.50
March 1, 1993	765,000.00	113,681.25	878,681.25
September 1, 1993	790,000.00	93,600.00	883,600.00
March 1, 1994	810,000.00	72,862.50	882,862.50
September 1, 1994	835,000.00	51,600.00	886,600.00
March 1, 1995	860,000.00	34,900.00	894,900.00
September 1, 1995	885,000.00	17,700.00	902,700.00
	<u>\$23,500,000.00</u>	<u>\$18,517,843.75</u>	<u>\$42,017,843.75</u>

Dated: April 16, 1971

THE PORT OF NEW YORK AUTHORITY

C O P Y

DEC 2 1970

Honorable Sidney Goldstein
General Counsel
The Port of New York Authority
111 Eighth Avenue
15th Street
New York, New York 10011

Dear Mr. Goldstein:

As requested in your letter of November 23, 1970, I have reviewed the changes to the Railroad Equipment Lease between The Port of New York Authority and the Trustees of the property of Penn Central Transportation Company as required by the Reorganization Court.

I hereby approve of those changes and have signified my approval on the four (4) copies of your letter of November 23, 1970, which are attached.

Very truly yours,

ORIGINAL SIGNED BY
T. W. PARKER

T. W. PARKER
Commissioner

Attachments

TWP:HBC:AC



SECRETARY'S
REGISTRY NO. 159 486

THE PORT OF NEW YORK AUTHORITY

111 Eighth Avenue - at 15th Street, New York, N.Y. 10011

RECEIVED
COMMISSIONER

NOV 25 1970

DEPT. OF TRANSPORTATION
RECEIVED TO *CHEROKEE*

Law Department

Sidney Goldstein, General Counsel Telephone 620-7344

Patrick J. Falvey, Assistant General Counsel Telephone 620-7755

November 23, 1970

*Friday
for
examination
& recommendation
for signature*

Hon. Theodore W. Parker
Commissioner
Department of Transportation
of the State of New York
1220 Washington Avenue - State Campus
Albany, New York 12226

Dear General Parker:

Enclosed herewith for your files is an executed copy of the Lease of Railroad Equipment dated October 20, 1970 between The Port of New York Authority and the Trustees of the property of Penn Central Transportation Company, in the form approved by Judge Harding of the U. S. District Court. You will note that certain changes required by the reorganization court have been made since your approval of the Lease on November 3rd.

These changes which have been initialed by Robert D. Brooks, General Solicitor, Penn Central Transportation Company, and by myself, as General Counsel of The Port of New York Authority, appear on pages 16, 17, 22, 27, 35 and 39 of the Lease. Inasmuch as your approval of the Lease preceded the incorporation of these changes, it would be appropriate, if you concur in these revisions, for you to signify your approval thereof in the space provided below.

Also enclosed for your files is the order No. 75 of the United States District Court, Eastern District of Pennsylvania, dated November 9, 1970, authorizing the Trustees to lease 80 passenger cars from The Port of New York Authority and to enter into an agreement with the Metropolitan Transportation Authority on New York City Commuter Service; a copy of the Contract between The Port of New York Authority and the General Electric Company, dated November 6, 1970, for the purchase of the 40 married pairs of electric multiple unit cars; and a copy of the executed Agreement, dated October 15, 1970, between The Port of New York Authority and the Metropolitan Transportation Authority for the administration

Dept. of Transp.
RECEIVED

DEC 1 1970

Director of
Development

Hon. Theodore W. Parker

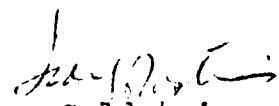
- 2 -

November 23, 1970

of the aforementioned Purchase Contract.

Upon your approval of the Lease changes referred to above, I would appreciate your returning four executed copies of the letter for appropriate distribution to the parties to the Lease.

Sincerely,


Sidney Goldstein
General Counsel

APPROVED:

STATE OF NEW YORK
DEPARTMENT OF TRANSPORTATION

By: 

Commissioner

Dated: December 2, 1970

cc: Hon. Arthur Levitt
Dr. William J. Ronan

Burg
Duffy
File ✓

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

SENT BY
JOHN J. HARDING
CLERK, UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA
AT PHILADELPHIA

In the Matter of :

PENN CENTRAL TRANSPORTATION
COMPANY :

In Proceedings for the
Reorganization of a
Railroad.

Debtor :

No. 70-347

ORDER NO.

75

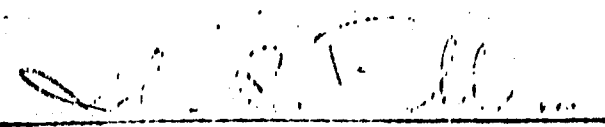
AUTHORIZING THE TRUSTEES TO LEASE 80
PASSENGER CARS FROM THE PORT OF NEW YORK
AUTHORITY AND TO ENTER INTO AN AGREEMENT
WITH THE METROPOLITAN TRANSPORTATION AUTH-
ORITY ON NEW YORK CITY COMMUTER SERVICE

And now, this 9th day of November, 1970, upon con-
sideration of the Petition of the Trustees for Authority to Lease
80 Passenger Cars from the Port of New York Authority and to
Enter into an Agreement with the Metropolitan Transportation
Authority on New York City Commuter Service, and after a hearing
held with respect thereon on notice duly given in accordance
with the Order of Notice, it is ORDERED:

1. The Trustees are authorized to enter into the
contractual arrangements contemplated by the proposal of the
Metropolitan Transportation Authority described in the petition
and the acceptance thereof by the Trustees is hereby approved,
confirmed and ratified.

2. The Trustees are authorized to negotiate and
execute, subject to the approval of the Court, any instruments
and contracts and to perform any acts necessary to implement
the aforesaid proposal.

3. The Trustees are authorized to enter into a lease agreement with the Port of New York Authority ("Authority") for the lease of 80 new lightweight air conditioned multiple unit electric cars in accordance with the terms of the lease agreement dated October 20, 1970 between the Trustees and the Authority ("Lease Agreement") and the execution of the Lease Agreement by the Trustees is hereby approved, confirmed and ratified. The Lease Agreement is a valid, legal and binding agreement enforceable in accordance with the terms thereof, including the security provisions set forth in Section 20 which shall be effective in accordance with its terms without further order of this Court. The security provisions of Section 20 of the Lease Agreement are equitable and are required for the protection of the obligations incurred by the Trustees in favor of the Authority and for the payment of the claims of the Authority as costs and expenses of administration in these proceedings.



JOHN P. FULLAM
District Judge

LEASE OF RAILROAD EQUIPMENT

LEASE OF RAILROAD EQUIPMENT dated ~~OCTOBER~~ 20, 1970 between The Port of New York Authority, a bi-state agency created by Compact between the States of New York and New Jersey (hereinafter called the "Lessor" or the "Authority") and George P. Baker, Richard C. Bond, Jervis B. Langdon, Jr., and Willard Wirtz, Trustees of the property of Penn Central Transportation Company in proceedings for the reorganization of said railroad company under Section 77 of the Bankruptcy Act (said Trustees together with their successors in interest being sometimes hereinafter called the "Lessee" or "Trustees", said LEASE OF RAILROAD EQUIPMENT being hereinafter called the "Lease").

WHEREAS, on the 21st day of June, 1970, the Penn Central Transportation Company (hereinafter called the "Debtor" or the "Railroad") filed a voluntary petition for reorganization under Section 77 of the Bankruptcy Act in the United States District Court for the Eastern District of Pennsylvania and such petition was duly approved as properly filed by order entered on said day in said Court and thereafter George P. Baker, Richard C. Bond, Jervis B. Langdon, Jr., and Willard Wirtz, were duly appointed Trustees of the property of said Debtor and qualified as such and are now acting as such Trustees

and are operating the business and managing the property of the Debtor pursuant to order of the said Court; and

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WHEREAS, the Lessor proposes to enter into a contract (hereinafter called the "Contract of Purchase") for the purchase of 80 high-speed electric passenger rail cars (hereinafter collectively called the "Cars") to be furnished by the General Electric Company generally in accordance with General Electric Specification TSV 30018 and a Letter of Intent between the General Electric Company and the Authority dated October 15, 1970; and

WHEREAS, the Lessor is willing to lease to the Lessee, and the Lessee is willing to hire from the Lessor the aforesaid 80 Cars, upon and subject to the terms, covenants and conditions hereinafter set forth; and

WHEREAS, the Lessor is entering into this Agreement pursuant to Chapter 25 of the New Jersey Session Laws of 1959, Chapter 638 of the New York Session Laws of 1959, Chapter 319 of the New York Session Laws of 1962, and §365 of Chapter 420 of the New York Session Laws of 1968, as the same may be amended from time to time (hereinafter together with Section 7 of Article X of the Constitution of the State of New York, called the "Authorizing Statutes").

In the event that issuance of Authority bonds for the purposes of this Lease does not occur on or prior to June 30, 1971 (unless such date is extended by the parties hereto with the approval of the Commissioner of Transportation of the State of New York), the obligation of the Lessor to acquire the Cars and lease them to the Lessee is hereby expressly terminated without further liability upon either the part of the Lessor or the Lessee except that the Lessor shall return to the Lessee any rental payments made to the Lessor pursuant to the first paragraph of §3 hereof and except that the Lessee shall pay to the Lessor such amounts of the expenses referred to in the last sentence of §3 hereof as shall have been incurred by the Lessor and shall not have been paid by the Lessee up to June 30, 1971.

§2. Delivery and Acceptance of Cars. The Cars will be constructed generally in accordance with the Specifications and Drawings forming a part of Contract No. 930A between the Metropolitan Transportation Authority and The Budd Company, as modified by contract amendments and engineering changes presently included in M-1 Cars No. 9401 and No. 9402, and as further modified to incorporate those changes required for operation of the Cars on the Hudson and Harlem lines of the Lessee's railroad lines; all as may be more particularly described in General Electric Specification TSV 30018, a Letter of Intent between the General Electric Company and the Authority dated October 15, 1970 which is annexed hereto as Exhibit A, and a definitive contract for the manufacture of

the Cars. The Lessor shall have the right to purchase cars which deviate from said Specifications and Drawings as modified, if the Cars' ability to operate in the service described in §9 hereof will not thereby be decreased. The Lessee understands that the Lessor may retain the New York State Metropolitan Transportation Authority as an agent in connection with the design and construction of the Cars. The Lessor will, either directly or through its agent, consult with and seek the advice of the Lessee during the construction of the Cars and the Lessee will render such consultation and advice. The Cars will be available for inspection by the Lessee during construction.

Upon delivery of each Car to the Lessee at such location as shall from time to time be specified by the Lessor, the Lessee shall furnish to the Lessor a receipt stating that said Car has been delivered to the Lessee pursuant to this Lease.

§3. Rentals. On the day prior to the date of the closing of sale of the bonds issued by the Authority for the purposes of this Lease, and on each debt service date subsequent thereto, the Lessee shall pay a rental to the Authority in an amount equal to the debt service on such bonds payable during the period commencing on the day following each such rental payment date and ending on the next succeeding debt service date. Debt service date as used herein shall mean the date of any semi-annual payment of debt service on such bonds.

Authority bonds issued for the purposes of this Lease shall mean bonds (including notes) issued by the Lessor from time to time to provide funds for the acquisition of the Cars and for purposes incidental thereto, and shall include, without limiting the generality hereof, capitalization of (a) such costs and

expenses incurred by the Lessor in respect of such issuance normally capitalized by the Lessor in connection with the issuance and sale of its bonds, and (b) such of the Lessor's administrative, legal and financial expense referred to in the last paragraph of this §3 as in the opinion of the Lessor will be capitalized instead of being treated as expenses; plus such amount, if any, necessary to round out the principal amount of such bonds sold for such purposes to a multiple of the lowest denomination in which such bonds may be issued under the resolution authorizing the issuance and sale thereof.

Debt service on Authority bonds issued for the purposes of this Lease shall mean the interest payable thereon, mandatory redemption premiums (if any) to be paid on Authority bonds to be retired for fixed sinking fund purposes, and the amount which the Lessor is obligated by agreement with the holders of such bonds to pay or set aside for the amortization and/or retirement thereof. Subject only to the provisions of the fourth paragraph of this §3, all of the provisions of the Lease shall remain in full force and effect, and the payments by the Lessee of rental referred to in the first paragraph of this §3 shall continue to be in amounts equal to the debt service on such Authority bonds in accordance with the provisions of the contract to be made with the holders of such Authority bonds at the time of their original issuance, whether or not (a) such Authority bonds are actually outstanding at the time of the originally scheduled payment thereof, (b) such contract is subsequently modified, (c) such Authority bonds are subsequently refunded, or (d) such

upon investment thereof) against any of the obligations of the Lessee hereunder but such application shall not be deemed to satisfy or discharge any default by the Lessee hereunder.

All determinations provided in this §3 shall be made by the Lessor and shall be binding upon the Lessee. The Lessor shall provide the Lessee with a schedule of debt service on each series or installment of Authority bonds issued for the purposes of this Lease prior to the first rental payment date for each such series or installment. If at any time the amounts payable by the Lessee are adjusted pursuant to any provision of this §3 the Lessor will furnish to the Lessee prior to the first day payment is required to be made on the basis of such adjustment a certificate setting forth the adjusted amounts thereafter payable and the basis for such adjustment.

The Lessor will advise and consult with the Lessee as to the terms and provisions of the Authority bonds.

The Lessee will also pay to the Lessor as a part of the rental for the Cars, on or before March 1 of each year (commencing March 1, 1971) or within one month following receipt of a statement therefor from the Lessor, whichever is later, an amount equal to the reasonable administrative, legal and financial expenses incurred by the Lessor in the preceding calendar year prior to or during the term of this Lease and any extension thereof pursuant to §4 hereof arising out of or incident to the preparation, execution, delivery and administration of this Lease, the Contract of Purchase, the bonds issued for the purposes thereof and the fulfillment of and compliance with the terms and provisions thereof and of the Authorizing Statutes

by the Lessee during the term or terms of such extension shall be one dollar (\$1.00) per annum in addition to the reasonable administrative, legal and financial expenses of the Lessor as set forth in the last paragraph of §3 of this Lease.

Any exercise by the Lessee of an option to extend herein accorded the Lessee shall be ineffective, at the election of the Lessor, if there is at the date of receipt of the extension notice by the Lessor or the commencement date of the respective extension, any event of default by the Lessee under this Lease or any event which with a lapse of time and/or demand provided in this Lease would constitute such an event of default.

§5. Identification Marks. On each side of each Car there will be marked by a metal plate or otherwise the following legend in letters not less than one inch in height:

"THE PORT OF NEW YORK AUTHORITY
OWNER AND LESSOR."

If during the continuance of this Lease any such marking shall at any time be removed, defaced or destroyed on any Car then subject to this Lease, the Lessee shall immediately cause such marking to be restored or replaced. The Lessee shall not allow the name of any person, association or corporation to be placed on any of the Cars as a designation which might be interpreted as indicating a claim of ownership thereof by any person, association or corporation other than the Lessor; but the Lessee may letter the Cars with the names or initials or other insignia customarily used by the Lessee on its railroad cars of the same or a similar type for convenience of identification of the right of the Lessee to use and operate the Cars under this Lease, and may also letter the Cars with the name or initials or other insignia of the New York State Metropolitan Transportation Authority.

§6. Numbering. Each Car delivered to the Lessee will be numbered with one of the Lessee's road numbers assigned thereto. At all times after such delivery, the Lessee will cause each Car to bear such numbers borne by such Car at the time of its delivery hereunder; provided, however, that the Lessee may change the number borne by any Car if prior thereto the Lessee shall have filed with the Lessor a statement of the new number to be substituted therefor and the Lessee shall have filed, deposited, registered and recorded such statement wherever this Lease shall have been filed, deposited, registered or recorded.

§7. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor or the State of New York (hereinafter called the "State") for collection or other charges. The Lessee assumes and agrees to pay on demand, in addition to the rentals herein provided, all of such expenses and charges together with the amount of any federal, state or local taxes or license fees or charges levied or imposed upon or measured by this Lease (including all stamp taxes, if any, incurred in connection with this Lease) or upon or measured by any sale, use, payment, shipment, delivery or transfer of title under the terms hereof or under the Contract of Purchase or other agreements relating to the design, engineering, construction and equipment of the Cars (but not including any income, gross receipts, excess profits or similar taxes). The Lessee will also pay promptly all taxes and assessments which may be imposed upon the Cars, the use or operation thereof by the Lessee or the earnings arising there-

from, or upon the Lessor or the State solely by reason of their ownership or interest, and will at all times keep each of the Cars free and clear of all taxes and assessments which might in any way affect the title of the Lessor or the State or their interest therein or result in a lien upon any of the Cars.

Notwithstanding the foregoing, the Lessee shall not be under any obligation to pay any taxes, assessments, licenses, charges, fines or penalties of any kind so long as (and after having delivered to the Lessor a certificate of one of its officers stating the facts with respect thereto) it shall be contesting in good faith and by appropriate legal proceedings such taxes, assessments, licenses, charges, fines or penalties and the non-payment thereof does not, in the opinion of the Lessor, adversely affect the property or rights of the Lessor or the State in and to the Cars. If such expenses, taxes, assessments, licenses, charges, fines or penalties shall have been charged or levied against the Lessor or the State, the Lessee shall, subject to the provisions of the next preceding sentence, pay, or reimburse the party so paying, the same on presentation of a written demand therefor; provided, however, that the Lessee shall be under no obligation to pay or reimburse the party so paying for any such expenses, taxes, assessments, licenses, charges, fines or penalties unless the Lessor or the State shall have been legally liable in respect thereof or unless the Lessee shall have approved the payment thereof.

§8. Maintenance and Replacement of the Cars. The Lessee shall maintain and keep all the Cars in good order and proper repair at its own cost and expense unless lost, destroyed or irreparably damaged. Subject to the provisions of §10. hereof, the Lessee will not substantially alter or modify any Car without the prior written consent of the Lessor.

If any Car shall be lost, destroyed or irreparably damaged, the Lessee shall forthwith deliver to the Lessor written notice thereof and shall, within 30 days after such loss, destruction or irreparable damage, deposit with the Lessor a sum of money equal to the fair value of such Car at the time of such loss, destruction or irreparable damage. Moneys so deposited with the Lessor shall, so long as no event of default shall have occurred hereunder, be applied to the purchase by the Lessor from the Lessee or any other person of a passenger car or cars approved by both the Lessee and the Lessor at a price approved by both the Lessor and the Lessee. Upon such purchase such replacing Car shall be held in all respects subject to the provisions of this Lease. The term "fair value" as used in this §8 shall be deemed to be (i) an amount equal to the original cost of the Car in respect of which such term is used (less the scrap value thereof as hereinafter defined) less (ii) depreciation accrued on such Car computed by the straight-line method at the rate of 4% per annum of such cost for each full twelve-month period elapsed from the date the same was first put into operation to the date as of which the value is to be determined.

If, within 180 days after such loss, destruction or irreparable damage, a replacing Car shall not be so acquired, the

Lessor shall apply the amount equal to the fair value of such Car deposited as aforesaid to the purchase or redemption of Authority bonds issued for the purposes of this Lease (if it is possible to do so without additional expense), or in such other manner as the Lessor and the Lessee may agree upon in writing. Any part of said amount that has not been applied by the time this Lease (including any extended term) expires shall belong to the Lessor.

The term "scrap value" as used in this §8 shall be deemed to be the current quoted price for segregated scrap at Pittsburgh, Pennsylvania, of the Car lost, destroyed or irreparably damaged.

The salvage of any Car lost, destroyed or irreparably damaged shall belong to the Lessor.

The Lessee covenants and agrees to furnish to the Lessor on each March 1st after the delivery of the Cars and during the continuance of this Lease, a certificate of one of its duly-authorized officers or by another duly-authorized person stating

(1) the amount, description and numbers of the Cars then covered hereby and showing the Cars then in actual service, (2) the amount, description and numbers of all Cars that may have become lost, destroyed or irreparably damaged since the date of the last preceding statement (or the date of this Lease in the case of the first such statement), and (3) the amount, description and numbers of all Cars then undergoing repairs, other than running repairs, or then withdrawn from use for repairs other than running repairs, and stating that in the case of all Cars repainted or

repaired since the date of the last preceding statement (or the date of this Agreement, in the case of the first statement) the markings required by §5 hereof have been preserved, or that the Cars when repainted or repaired have been marked as required thereby. The Lessee will cause any replacing Car to be marked as provided in §5 hereof, and, if the same type as the Car being replaced, to be numbered with the same number as such replaced Car. The Lessor by its agents shall have the right, but shall be under no duty, to inspect the Cars at the then existing locations thereof at such reasonable time as it may request.

The agreement as to the maintenance and replacement of the Cars is of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring the specific performance thereof.

§9. Use of the Cars. The Lessee shall use the Cars in, and only in, passenger service between Grand Central Station, New York City, and the communities served by the electrified portions (as they may from time to time exist) of the Lessee's Hudson and Harlem lines (as said lines exist at the time of execution of this Lease, as evidenced by the Lessee's public timetables) and the Lessee shall make every effort to use as many of the Cars as may be reasonably possible in such passenger service inbound to Grand Central Station between the hours of six o'clock and ten o'clock in the morning and outbound from Grand Central Station between the hours of four o'clock and seven o'clock in the afternoon of each weekday which is not a holiday; provided, however,

that nothing herein contained shall be deemed to prevent the use of the Cars at other times. The agreement as to the use of the Cars is of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring the specific performance thereof. The Lessee shall maintain complete and adequate daily records as to the use of the Cars and shall make such records available for examination by the Lessor within three business days after receiving from the Lessor a written request therefor.

The Lessee shall not, without the prior written consent of the Lessor, (a) assign or transfer its rights hereunder or lease the Cars or any part thereof, or (b) part with the possession of, or suffer or allow to pass out of its possession or control, any Car except for repairs or maintenance in the normal course of business. The final confirmation of a plan of reorganization of the Debtor and the vesting in such reorganized Company of the rights of the Trustees hereunder and the possession of the Cars shall not be deemed an unauthorized assignment or transfer or parting of possession if said plan of reorganization provides for the assumption by the reorganized Company of each and every obligation of the Lessee *and said lease is duly assumed,* under this Lease ~~in form and substance satisfactory to the Lessor.~~

*Robert D. Brooks**
*John J. [unclear]***

Following approval of a plan of reorganization of the Debtor, the subsequent appointment of a receiver or receivers in equity or reorganization or a trustee or trustees in bankruptcy or reorganization for the reorganized company or for its property shall not be deemed an unauthorized transfer or assignment or parting of possession if, prior to any action by the Lessor to exercise

* General Solicitor, Penn Central Transportation Co., Debtor -
** General Counsel, The P.M. [unclear]

the remedies herein provided, such receiver or receivers or trustee or trustees shall be discharged or such receiver or receivers or trustee or trustees shall, pursuant to court order or decree, in writing duly assume and agree to pay or perform each and all of the obligations and covenants of the Lessee hereunder, in such manner that such obligations shall have the same status (including that as to priorities and security) as obligations of the Lessee to the Lessor under this Lease in the Reorganization Proceedings.

Nothing in this §9 shall be deemed to restrict the right of the Lessee to assign or transfer, subject in all respects to the provisions of this Lease, its interest in, or possession of, the Cars to any corporation or public body or authority (which shall have duly assumed, by an appropriate written instrument ~~acceptable to the Lessor,~~ the obligations hereunder of the Lessee) into or with which the Lessee, or the Debtor after final reorganization, shall have become merged or consolidated or which shall have acquired the property of the Lessee or such reorganized Company as an entirety or substantially as an entirety. Such assignment or transfer may also be made to any other corporation, public body or authority which shall become responsible for operation of the passenger service in which the Cars are to be used under this §9, provided the prior written consent of the Lessor shall be obtained.

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§10. Compliance with Laws and Rules; Warranties; Accessions; Indemnification. The Lessee will comply in all respects with all laws of the jurisdictions in which its operations involving the Cars may extend and with all lawful rules of the U. S. Department of Transportation and any legislative, executive, administrative, or judicial body exercising any power or jurisdiction over the Cars, to the extent that such laws and rules affect the operation or use of the Cars; and in the event that such laws or rules require the alteration of the Cars, the Lessee will conform therewith, at its expense, and will maintain the same in proper condition for operation under such laws and rules; provided, however, that the Lessee may in good faith (and after delivery to the Lessor of a certificate of one of its officers stating the facts with respect thereto) contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor, materially adversely affect the property or rights of the Lessor.

The Lessor makes no warranty or representation, either expressed or implied, as to the fitness, design or condition of, or as to the quality of the material, equipment or workmanship in, the Cars delivered to the Lessee hereunder, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor may by appropriate written instrument appoint and constitute the Lessee or any other person its agent to assert and enforce from time to time,

in the name of and for the account of the Lessor, whatever claims and rights the Lessor may have, as purchaser, under the provisions of the Contract of Purchase or any other agreement relating to the manufacture and delivery of the Cars. The Lessee shall enforce the warranties of the car manufacturer for the account of the Lessor unless otherwise directed in writing by the Lessor; provided, however, that if the Lessee fails to take action to enforce any such warranties of the car manufacturer within a period of ten days after receipt of a written request from the Lessor, the Lessor (or its agent) may enforce such warranties.

Any parts installed or replacements made by the Lessee upon any car shall be considered accessions to such Car and title thereto shall be immediately vested in the Lessor, without cost or expense to the Lessor.

The Lessee agrees to indemnify and save harmless the Lessor and the State of New York, their Commissioners, officers, employees and representatives acting within the scope of their authority or employment from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof (including negligence of the Lessor or the State, their Commissioners, officers, employees and representatives

acting within the scope of their authority or employment) and expenses in connection therewith, including reasonable counsel fees, arising out of the Lessor's ownership of the Cars and the State's interest or ownership therein while subject to this Lease or out of the use, condition (including, without limitation, latent and other defects, whether or not discoverable) and/or operation thereof by the Lessee. This covenant of indemnity shall continue in full force and effect notwithstanding the satisfaction of all the Lessee's obligations hereunder or the termination of this Lease in any manner whatsoever.

As between the Lessor and the Lessee, the Lessee shall bear the risk of (upon delivery and acceptance of any Car), and shall not be released from its obligations hereunder in the event of, any damage to or the destruction or loss of any Car and any damage, loss, or claims arising out of or in connection with such damage to or the destruction or loss of any Car.

To the extent that the car manufacturer is not obligated to indemnify and save harmless the Lessor and the State, their Commissioners, officers, employees and representatives from patent claims in respect of the Cars, the Lessee shall indemnify the Lessor and the State and save them harmless from all loss and expense incurred in the defense, settlement or satisfaction of any claims in the nature of patent infringement in respect of the Cars.

§11. Prohibition Against Liens. The Lessee shall promptly pay or satisfy and discharge any and all sums claimed by any party by, through or under the Lessee or its successors or assigns, which, if unpaid, might become a lien or a charge upon the Cars or any unit thereof but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and the non-payment thereof does not, in the opinion of the Lessor, adversely affect the property or rights of the Lessor hereunder. The Lessee shall promptly deliver to the Lessor a certificate of one of its officers setting forth the facts in respect of any such claim not so discharged.

§12. Events of Default. The occurrence of any of the following events shall be an event of default (herein called an event of default):

(a) The Lessee shall default in the payment of any rental pursuant to §3 hereof or any other amount required to be paid hereunder and such default shall continue unremedied for ten days after written notice thereof from the Lessor to the Lessee;
or

(b) The Lessee shall for more than 30 days after the Authority shall have demanded in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Lease on its part to be kept or performed or to make provision satisfactory to the Lessor for such compliance;
or

(c) A decree or order is entered in the Reorganization Proceedings

(i) dismissing such proceedings pursuant to any provision of Section 77 of the Bankruptcy Act, or

(ii) authorizing, directing or approving the abandonment of passenger service between the points specified in §9 or any substantial reduction in the frequency or quantity of the passenger service now provided by the Lessee between the points specified in §9 hereof, without the express written consent of the Lessor, or

(iii) preventing or disabling the Lessee from performing any of its obligations under the Lease, or

(iv) adjudging the Debtor a bankrupt, if the court is empowered to do so.

Nothing contained herein shall be construed to preclude the application of paragraphs (a) and (b) of this §12 during the Reorganization Proceedings; or

(d) A decree or order by a court of competent jurisdiction shall have been entered in any proceedings instituted after the confirmation of a plan of reorganization for the Debtor pursuant to the provisions of Section 77 of the Bankruptcy Act in the Reorganization Proceedings

With respect to the written consent of the Lessor required in (ii) above, the consent of the Lessor will not be unreasonably withheld, provided that the Lessor obtains the written consent of the Commission of Transportation of the State of New York and of any other public authority having jurisdiction therein.

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(1) adjudging the Lessee a bankrupt, if the court is empowered to do so, or

(11) providing for the appointment of a receiver or trustee in reorganization, equity receivership or insolvency proceedings of the Lessee or of its property or any substantial portion of its property, and within 60 days thereafter (or in case, prior to the end of such 60-day period, a temporary or permanent receiver or trustee shall have been appointed in such proceedings, then within 60 days after the Authority shall have demanded in writing that such receiver or trustee take action to assume or reject this Lease) the obligations of the Lessee under this Lease shall not have been assumed by the receiver or trustee in such proceedings, pursuant to an order or decree of such court or otherwise, in such manner that they shall have been given a status (including that as to priorities and security) comparable to that of the obligations of the Trustees to the Authority under this Lease in the Reorganization Proceedings; or

(e) Prior to delivery and acceptance of all the Cars in accordance with §2 of this Lease, the Lessee shall, without the express written consent of the Lessor, file a petition or application with any court, the Interstate Commerce Commission,

any state public service commission or any other public agency or authority having jurisdiction, seeking authorization for the discontinuance of or any substantial reduction in the frequency or quantity of the passenger service now provided by the Lessee between the points specified in §9 of this Lease; or

(f) A decree or order by a court of competent jurisdiction (including the court in the Reorganization Proceedings) shall have been entered providing for the liquidation of the Debtor's estate; or

(g) After the confirmation of a plan of reorganization for the Debtor pursuant to the provisions of Section 77 of the Bankruptcy Act in the Reorganization Proceedings, an application is filed under Section 20b of the Interstate Commerce Act or any similar law enacted hereafter, which application seeks any adjustment or impairment of any obligations of the Lessee contained herein.

§13. Lessor's Remedies. At any time after the occurrence of an event of default the Lessor, at its option, may

(1) proceed by appropriate court action or actions, in the Reorganization Proceedings or in any other court of competent jurisdiction either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease, or to recover damages for the breach thereof; or

(2) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Cars

shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessor may by its agent enter upon the premises of the Lessee or other premises where any of the Cars may be and take possession of all or any of the Cars and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Cars for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may become due and unpaid up to the date of termination of this Lease, including rentals accruing hereunder after the date of default, for the use of the Cars (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee, as damages for loss of the bargain and not as a penalty, a sum which represents the excess, at the time of such termination, of the total rentals which would otherwise have become due and payable in respect of the Cars from the date of such termination to the date the Lease of the Cars would otherwise have terminated pursuant to the terms of this Lease over the then present worth of the aggregate fair rental value of the Cars then subject to this Lease for such period, such then present worth to be computed on the basis of a 3-1/2% per annum discount, compounded annually.

Except as may be herein provided, the Lessee hereby waives all rights of equity of redemption, if any, all statutory and other legal notice of any kind, notice of intention to take possession of or to sell the Cars or any unit thereof, and any other requirements with respect to the enforcement of the Lessor's rights hereunder.

§14. Remedies Cumulative; Payments by the Lessee; Waivers by the Lessee; Equitable Remedies; Obligations of the Lessee Not Affected by Remedies. Each and every power and remedy hereby specifically given to the Lessor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Lessor; all such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the rights to exercise any other or others. No delay or omission of the Lessor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. No retaking of possession of the Cars by the Lessor, nor any sale thereof, nor any action or failure or omission to act against the Lessee or in respect of the Cars, on the part of the Lessor, nor any delay or indulgence granted to the Lessee by the Lessor shall alter or affect the obligations of the Lessee hereunder.

If, after applying all sums of money realized under the remedies herein provided, there shall remain any amount due to the Lessor under the provisions of this Lease, the Lessee shall pay the amount of such deficiency to the Lessor upon demand.

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The Lessee will pay all reasonable expenses, including *reasonable* counsel fees, incurred by the Lessor in enforcing its remedies under the terms of this Lease or by reason of the breach by the Lessee of any covenant or agreement herein contained. In the event that the Lessor shall bring any suit or proceeding to enforce any of its rights hereunder whether in the Reorganization Proceedings or otherwise, and shall be entitled to relief, then in such suit or proceeding the Lessor may recover reasonable expenses, including counsel fees, and the amount thereof shall be included in the relief granted.

The Lessee hereby waives any defense based upon the adequacy of a remedy at law to any action for specific performance or an injunction brought against the Lessee pursuant to this Lease.

The specification in any provision of this Lease that the Lessor shall be entitled to a decree against the Lessee for specific performance or an injunction, shall not be construed as an agreement that the Lessor shall not be entitled to such remedy or remedies in connection with any other provision of this Lease if, under the circumstances, the Lessor would be so entitled.

§15. Possession and Use. So long as no event of default, as herein provided, shall occur, the Lessee shall be entitled to the possession of the Cars and the use thereof as herein provided, but only upon and subject to all the terms and conditions of this Lease.

§16. Termination of Lease. Upon expiration of this Lease, including termination pursuant to §13 and §20 hereof, the Lessee shall forthwith deliver possession of the Cars to the Lessor, in good order and repair (ordinary wear and tear excepted). For the purpose of delivering possession of the Cars as above required, the

Lessee shall at its own cost and expense forthwith assemble the Cars and place them upon such line or lines of the Lessee as the Lessor may reasonably select, and the Lessee shall permit the Lessor to store the Cars on such lines free of charge to the Lessor, and shall, at the cost and expense of the Lessee, transport the same or any thereof to any place or places on the lines of the Lessee, all as directed by the Lessor. The assembling, delivery, storage, and transporting of the Cars, as hereinbefore provided, are of the essence of this Lease and upon application to any court of equity having jurisdiction in the premises, the Authority shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Cars.

§17. Opinions of Counsel. Concurrently with the execution and delivery of this Lease, the Lessee will deliver to the Lessor the written opinion of Counsel for the Lessee, in scope and substance satisfactory to the Lessor, to the effect

(a) that the voluntary petition of the Penn Central Transportation Company, Debtor, for reorganization under Section 77 of the Bankruptcy Act was duly filed by said Debtor in the United States District Court for the Eastern District of Pennsylvania on June 21, 1970, that an order was duly entered by said Court on said date approving said petition as properly filed, that thereafter George P. Baker, Richard C. Bond, Jervis B. Langdon, Jr., and Willard Wirtz were duly appointed Trustees

of the property of the Debtor in such proceedings and qualified as such and are now acting as such Trustees and are operating the business and managing the property of said Debtor pursuant to orders of said Court;

(b) that if this Lease is approved in accordance with its terms by the United States District Court for the Eastern District of Pennsylvania, the Lease will constitute a valid, legal and binding agreement of the Lessee enforceable in accordance with its terms;

(c) that if this Lease is filed with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act, as amended, it need not, in order to protect the Lessor's title to the Cars, be otherwise filed, deposited, registered or recorded under the provisions of any other law of the United States of America or of any State (or of any political subdivision thereof) respecting the filing, depositing, registration or recordation of said Lease;

(d) that no approval is required from any public regulatory body with respect to the entering into or performance of this Lease by the Lessee; and

(e) that the entering into and performance of this Lease will not result in any breach of or constitute a default under any obligation to which the Lessee is a party or by which it may be bound.

§18. Additional Covenants. The Lessee agrees that subsequent to the confirmation and consummation of a plan of reorganization for the Debtor pursuant to the provision of Section 77 of the Bankruptcy Act in the Reorganization Proceedings, and so long as there exists a default by it under this Lease in respect of any payment required by it to be made hereunder, the Lessee shall not

(1) Declare any dividends on, or make any other distribution (by reduction of capital or otherwise) in respect of, any shares of any class of its capital stock; or

(ii) Apply any of its property or assets to or set aside any sum for the payment, purchase or redemption or other retirement of, or permit any wholly-owned subsidiary of the Lessee to purchase, any shares of any class of capital stock of the Lessee.

§19. Recording; Expenses. Prior to the delivery and acceptance of the first Car, this Lease will be filed and recorded by the Lessee with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register,

and record (and will re-file, re-register, or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor, for the purpose of proper protection, to the satisfaction of the Lessor, of its title to the Cars, or for the purpose of carrying out the intention of this Lease. The Lessee will pay all costs, charges, and expenses incident to the filing, re-filing, registering, re-registering, recording and re-recording of the Lease and any such further instrument or incident to the taking of any such further action.

The Lessor shall have the right, at any time and from time to time during the term of this Lease, to appoint a bank, trust company, public authority or other person selected by it to act as agent or trustee for it hereunder. If an agent or trustee is so appointed, the Lessee agrees to pay the reasonable charges of such agent or trustee in so acting, including the reasonable fees and disbursements of its counsel incurred in connection therewith.

§20. Security Provisions.

(a) For the purposes of this Lease:

(1) The term "free assets" shall mean any and all property and assets of the Trustees and the Debtor's estate of every kind and description, tangible and intangible (including cash on hand and on deposit), not subject to mortgage, pledge, lien, Trustees' certificates, equipment trusts or other encumbrance.

(2) The term "liened assets" shall mean any and all property and assets of the Trustees and the Debtor's estate of every kind and description, tangible and intangible, including without limitation mortgaged assets and property but not including the free assets and property subject to valid possessory pledges.

(3) The term "Reorganization Proceedings" shall mean the proceedings under Section 77 of the Bankruptcy Act now pending in the United States District Court for the Eastern District of Pennsylvania with respect to the Debtor, No. 70-347.

(4) The term "six-month claims" shall mean unsecured claims against the Debtor (other than those specified in Section 77(n) of the Bankruptcy Act) arising prior to the commencement of the Reorganization Proceedings which would have been entitled to priority if a receiver in equity of the property of the Debtor had been appointed by a federal court on the day of the approval of the petition in the Reorganization Proceedings.

(b) (1) It is hereby expressly understood and agreed that any and all obligations of the Trustees hereunder for the payment in full of all rentals, damages, claims, deficiencies

or any other monies payable to or in favor of the Authority pursuant to the provisions of this Lease, including but not limited to those arising out of any breach or termination of this Lease, or otherwise, together with interest thereon at the legal rate to the date of payment thereof, shall be and be deemed to be necessary costs and expenses of administration incurred by the Trustees in the Reorganization Proceedings in the operation of the Railroad; and shall be paid forthwith as operating expenses of the Trustees and the Debtor's estate.

(2) In the event that a decree or order is entered in the Reorganization Proceedings adjudging the Debtor a bankrupt or providing for the liquidation of the Debtor's estate (if the court is empowered to do so), the total claim of the Lessor as an administration claim under the provisions of subparagraph (1) hereof shall share in distribution in the following manner: pari passu with all other costs and expenses of administration in the operation of the Railroad including allowances, court costs and related matters, unpaid wages including accrued vacation pay, claims for personal injury and property damage arising subsequent to the commencement of the Reorganization Proceedings, claims specifically given priority in payment under Section 77(n) of the Bankruptcy Act, and all other claims entitled to priority as costs and expenses of administration, unless under all the circumstances the Court, in the exercise of a sound discretion, shall determine a different order of payment. For the purposes of such distribution, the six-month claims

as hereinbefore defined shall not be classified as costs and expenses of administration.

(3) It is understood and agreed that in the event of the dismissal of the Reorganization Proceedings and the revesting of title in or transfer of possession to the Debtor of the property of the Trustees and the Debtor's estate or the transfer of possession of or title to such property to any receiver or trustee of all or any part of the property of the Debtor appointed by any Federal or state court of competent jurisdiction, the Lessor shall be entitled to the priorities vested in, conferred upon or given to the Lessor under the provisions of subparagraphs (1) and (2) of this paragraph (b), whether or not a decree or order is, has been or shall be entered in the Reorganization Proceedings adjudicating the Debtor a bankrupt or providing for the liquidation of the Debtor's estate and whether or not such a decree or order, if entered, incorporates the provisions of this §20, so that the assets, in any case, when so revested or transferred shall be impressed with a lien and charge in favor of the Lessor and shall be received by the Debtor or receiver or Trustee, as the case may be, subject to said lien and charge and be burdened with the said priorities and be held by the Debtor or receiver or Trustee subject to such priorities for the payment of the claims of the Lessor in accordance with the provisions of this paragraph (b) of this §20.

(4) Notwithstanding anything to the contrary contained in this Lease, if a plan for reorganization of the Debtor

is approved, and said plan does not provide for the ^{due} assumption by the reorganized company of each and every obligation of the Lessee under this Lease, ~~in form and substance satisfactory to the Lessor,~~ ^{PPK} the Lessor may terminate this Lease by notice in writing to the Lessee, whereupon all rights of the Lessee to the use of the Cars hereunder shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessor may by its agent enter upon the premises of the Lessee or other premises where any of the cars leased hereunder may be and take possession of all or any of such cars and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use such cars for any purposes whatsoever, but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may become due and unpaid up to the date of termination of this Lease, including rentals accruing up to the date of termination, (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of bargain and not as a penalty, a sum which represents the excess, at the time of such termination, of the total rentals which would otherwise have become due and payable hereunder from the date of such termination to the

date or dates this Lease would otherwise have terminated pursuant to the terms hereof over the then present worth of the aggregate fair rental value of the cars then subject to this Lease for such period or periods, such then present worth to be computed on the basis of a 3-1/2% per annum discount, compounded annually; and the Lessee agrees that, upon confirmation of the aforesaid plan for reorganization, there shall be paid forthwith together with interest thereon at the legal rate to the date of payment thereof as operating expenses and as costs and expenses of administration in the operation of the Railroad, the amounts hereinbefore set forth in this subparagraph (4).

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(c) The Lessee has advised the Authority that it intends to enter into an agreement with Metropolitan Transportation Authority (hereinafter called "MTA") covering the operation of the Hudson and Harlem Suburban Service in accordance with a Letter of Intent dated October 12, 1970 between the Lessee and MTA, a copy of which is annexed hereto as Exhibit B. In the event that no such agreement is entered into, or in the event such agreement is substantially modified to the prejudice of the Authority, or in the event that the Lessee's agreement with MTA is terminated and each and every obligation of the Lessee under this Lease is not assumed by MTA or a substitute carrier named by MTA, then as of the occurrence of any such event it is hereby agreed that all the provisions of paragraph (b) hereof shall cease, terminate and be of no further force or effect, and in lieu thereof the following provisions of this

paragraph (c) shall be and become in full force and effect:

(1) It is hereby expressly understood and agreed that any and all obligations of the Trustees hereunder for the payment in full of all rentals, damages, claims, deficiencies or any other monies payable to or in favor of the Authority pursuant to the provisions of this Lease, including but not limited to those arising out of any breach or termination of this Lease, or otherwise, together with interest thereon at the legal rate to the date of payment thereof, shall be and be deemed to be necessary costs and expenses of administration incurred by the Trustees in the Reorganization Proceedings in the operation of the Railroad; and shall be paid forthwith out of the free and liened assets of the Debtor and the Trustees thereof as operating expenses of the Trustees and the Debtor's estate.

(2) In the event that a decree or order is entered in the Reorganization Proceedings adjudging the Debtor a bankrupt or providing for the liquidation of the Debtor's estate (if the court is empowered to do so), the total claim of the Lessor as an administration claim under the provisions of subparagraph (1) hereof shall share in the distribution of the free assets in the following manner: pari passu with all other costs and expenses of administration in the operation of the Railroad, including allowances, court costs and related matters, unpaid wages including accrued vacation pay, claims for personal injury and property damage arising subsequent to the commencement of the Reorganization Proceedings,

claims specifically given priority in payment under Section 77(n) of the Bankruptcy Act, and all other claims entitled to priority as costs and expenses of administration, unless under all the circumstances the Court, in the exercise of a sound discretion, shall determine a different order of payment. For the purposes of such distribution, the six-month claims as hereinbefore defined shall not be classified as costs and expenses of administration.

(3) In the event that the total claim of the Lessor under the provisions of subparagraph (1) of this paragraph (c) is not paid in full in the distribution made pursuant to subparagraph (2) hereof, the balance of such claim shall, as costs and expenses of administration, have priority in payment over and be paid ahead of any and all obligations of whatsoever nature to the holders of six-month claims and to secured or unsecured creditors of the Debtor not entitled to priority as administration claimants.

(4) It is understood and agreed that in the event of the dismissal of the Reorganization Proceedings and the revesting of title in or transfer of possession to the Debtor of the property of the Trustees and the Debtor's estate or the transfer of possession of or title to such property to any receiver or trustee of all or any part of the property of the Debtor appointed by any Federal or state court of competent jurisdiction, the Lessor shall be entitled to the priorities and security (including without limitation its priorities with respect to the ~~fee~~ and lien assets) vested in, conferred upon or given to the Lessor under the provisions of sub-

paragraphs (1), (2) and (3) of this paragraph (c), whether or not a decree or order is, has been or shall be entered in the Reorganization Proceedings adjudicating the Debtor a bankrupt or providing for the liquidation of the Debtor's estate and whether or not such a decree or order, if entered, incorporates the provisions of this §20, so that the assets, in any case, when so revested or transferred shall be impressed with a lien and charge in favor of the Lessor and shall be received by the Debtor or receiver or trustee, as the case may be, subject to said lien and charge and be burdened with the said priorities and security and be held by the Debtor or receiver or trustee subject to such priorities and as security for the payment of the claims of the Lessor in accordance with the provisions of this paragraph (c) of this §20.

(5) Notwithstanding anything to the contrary contained in this Lease, if a plan for reorganization of the Debtor is approved, and said plan does not provide for the ^{assumption} by *RAB (in* the reorganized company of each and every obligation of the Lessee under this Lease, ~~in form and substance satisfactory to the Lessor,~~ *RAB (in* the Lessor may terminate this Lease by notice in writing to the Lessee, whereupon all rights of the Lessee to the use of Cars hereunder shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided, and thereupon the Lessor may by its agent enter upon the premises of the Lessee or other premises where any of the Cars leased hereunder may be and take possession of all or any of such

Cars and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use such Cars for any purposes whatsoever, but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may become due and unpaid up to the date of termination of this Lease, including rentals accruing up to the date of termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of bargain and not as a penalty, a sum which represents the excess, at the time of such termination, of the total rentals which would otherwise have become due and payable hereunder from the date of such termination to the date or dates this Lease would otherwise have terminated pursuant to the terms hereof over the then present worth of the aggregate fair rental value of the Cars then subject to this Lease for such period or periods, such then present worth to be computed on the basis of a 3-1/2% per annum discount, compounded annually; and the Lessee agrees that, upon confirmation of the aforesaid plan for reorganization, there shall be preferred and paid forthwith together with interest thereon at the legal rate to the date of payment thereof out of the assets, both free and liened, of the Debtor's estate and the Trustees as operating expenses and as

costs and expenses of administration in the operation of the Railroad, the amounts hereinbefore set forth in this subparagraph (5).

(d) It is hereby expressly understood and agreed by and between the parties hereto that the provisions of this §20 constitute a special inducement and consideration to the Lessor in entering into this Lease and that said provisions shall be deemed to be of the essence in affording the requisite protection to the Lessor and the State of New York.

(e) Nothing contained in this Lease shall be construed to impair any lien or priority given to Trustees' Certificates duly authorized by the Court in the Reorganization Proceedings and now outstanding or to restrict in any way any lien or priority which may be given in respect of Trustees' Certificates hereafter issued pursuant to order of the Court in the Reorganization Proceedings.

§21. Court Approval. (a) Promptly upon the execution of this Lease, the Trustees shall apply to the court in the Reorganization Proceedings for an order or orders approving the execution of this Lease by the Trustees, adjudging the same to be a valid, legal and binding agreement enforceable in accordance with the terms thereof, specifically incorporating in such order or orders all of the security provisions of §20 of the Lease, and making them effective according to their terms without further order of the court in the Reorganization Proceedings, and finding and deeming that the terms and provisions of §20 of the Lease are equitable and

are required for the protection of the obligations incurred by the Trustees in favor of the Authority and for the payment of the claims of the Authority as costs and expenses of administration in the Reorganization Proceedings.

(b) The Trustees shall promptly serve true copies of the aforesaid orders upon counsel for the Lessor; and shall promptly serve true copies upon the Lessor of any other order or decision of the Reorganization Court or any appellate court rendered in proceedings involving this Lease, with subsequent certification as to which orders and decisions have become final.

(c) The Lessor shall have the right to terminate this Lease upon written notice to the Trustees to be given not later than thirty days after service is made on the Lessor pursuant to paragraph (b) hereof (unless such period is extended by the parties with the approval of the Commissioner of the Department of Transportation of the State of New York) on the happening of any of the following events, and if such right of termination is exercised, this lease shall terminate without liability on the part of the Lessee, the Department of Transportation of the State of New York, the State of New York or the Trustees with the same effect as if the Lease had never been made:

(i) any order described in paragraph (a) hereof is not entered on or before December 31, 1970;
or

(ii) any order described in paragraph (a)

hereof is entered in a form satisfactory to the Lessor but is reversed in any final appellate proceedings pertaining thereto; or

(iii) any order described in paragraph (a) hereof is entered but contains any condition (acceptable to the Lessor) to be satisfied by a date specified therein and said condition or conditions are not satisfied by said date; or

(iv) the reversal in any final appellate proceeding of an order adjudging that the aforesaid condition or conditions have been satisfied; or

(v) any order described in paragraph (a) hereof is entered but in the opinion of the Lessor will or may not effectuate the purposes of this Lease in accordance with the tenor thereof or includes any condition not acceptable to the Authority; or

(vi) any order described in paragraph (a) hereof is entered in a form satisfactory to the Authority but is modified in any final appellate proceedings pertaining thereto in such manner that in the opinion of the Authority said final order will or may not effectuate the purposes of this Lease in accordance with the tenor thereof or includes any condition not acceptable to the Authority.

§22. Miscellaneous. Except as expressly provided herein, all notices, certificates, designations or determinations herein provided for shall be deemed to have been properly given or made if delivered or mailed (by registered or certified mail): to the Lessee at 6 Penn Center, Philadelphia, Pennsylvania 19104, Attention Mr. R. D. Timpany, Assistant Vice President, Passenger Operations; and to the Lessor at 111 Eighth Avenue, New York, New York 10011, Attention of Director of Rail Transportation Department; or such other address or person as may be specified by notice in writing by either party to the other.

This Lease shall be construed in accordance with the law of The State of New York and is subject in all respects to the Authorizing Statutes and the rights and remedies of the parties hereunder shall be determined in accordance therewith; provided, however, that any remedies herein provided which shall be valid under the laws of the jurisdiction where proceedings for the enforcement thereof shall be taken shall not be affected by any invalidity thereof under the laws of the State of New York; and provided, further, that the parties hereto shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

With the consent of the Lessor, the Lessee may, at any time, prepay as a whole or in part, any rental payments hereunder. All payments provided for in this Lease shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

If any date scheduled for the making of any payment hereunder shall not be a business day, then such payment shall be made on the next succeeding business day with the same effect as if made on the scheduled date. The term "business day" shall mean a calendar day other than a Saturday, Sunday or holiday on which banks in the State of New York are authorized to be closed.

Interest shall be payable to the extent legally enforceable on all overdue payments hereunder, at the rate of 6% per annum or the legal rate, whichever is higher.

Nothing expressed or implied herein is intended or shall be construed to confer upon or give to any person, firm or corporation, other than the parties hereto, their successors and assigns and the State any right, remedy or claim under or by reason of this Lease or of any term, covenant or condition hereof, and all the terms, covenants and conditions, contained herein shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns and the State.

Neither the Commissioners of the Lessor nor the Trustees nor the directors of the Lessee (nor its stockholders as such) nor any officer, agent or employee of either of them shall be charged personally by any party to this Lease or otherwise with any liability or held liable to such party or otherwise under any term or provision of this Lease or because of its execution or attempted execution, or because of any breach thereof.

The Lessee shall promptly give notice in writing to the Lessor of all matters which in the Lessee's opinion, might materially

and adversely affect the performance by the Lessee of its obligations under this Lease.

The parties hereto agree to execute such documents or instruments as may be necessary or appropriate to effectuate the purposes of this Lease.

All section headings of this Lease are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

This Lease may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart.

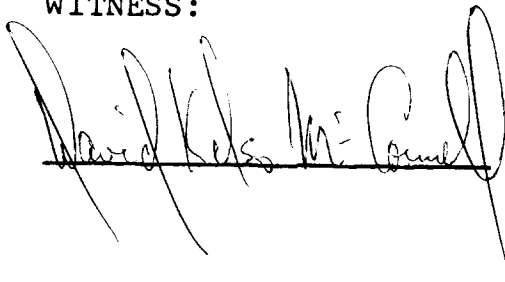
§23. Approval by State of New York. This Lease shall become effective when and only if approved by the Commissioner of the Department of Transportation of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed, all as of the day, month, and year first above written.

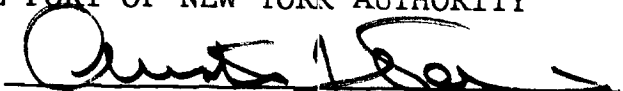
ATTEST:


SECRETARY

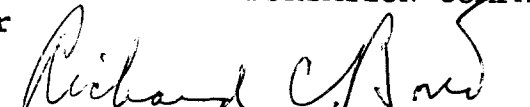
WITNESS:



THE PORT OF NEW YORK AUTHORITY

By 
EXECUTIVE DIRECTOR

TRUSTEES of the Property of
PENN CENTRAL TRANSPORTATION COMPANY,
Debtor

By 
Richard C. Bond

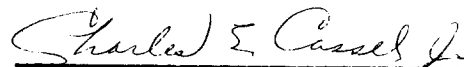
October 28, 1970

STATE OF PENNSYLVANIA:

SS.:

COUNTY OF PHILADELPHIA:

Personally appeared RICHARD C. BOND, Trustee of the property of Penn Central Transportation Company, Debtor, signer and sealer of the foregoing instrument on his behalf and on behalf of his fellow trustees, and he acknowledged the same to be his free act and deed, as such Trustee, before me.



Notary Public

My Commission Expires: July 10, 1971

STATE OF NEW YORK:

ss.:

COUNTY OF NEW YORK:

On this 29th day of October, 1970, before mepersonally appeared AUSTIN J. TOBIN

to me personally known, who, being by me duly sworn, says that he is the EXECUTIVE DIRECTOR of THE PORT OF NEW YORK AUTHORITY, that one of the seals affixed to the foregoing instrument is the seal of said Authority, that said instrument was signed and sealed on behalf of said Authority by authority of its Board of Commissioners and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Authority.

Albert J. Buckley
Notary Public

Notary Public for the State of New York
My Commission Expires March 30, 1971

The foregoing Lease is hereby approved pursuant to, and to the extent required by, Sections 3(a) (v) and 7(a) of Chapter 638 of the New York Session Laws of 1959, as amended, provided that any substantial modification of the Lease shall be approved in writing by the undersigned at or prior to the execution thereof.

Dated: NOVEMBER 4, 1970

STATE OF NEW YORK
DEPARTMENT OF TRANSPORTATION

By

T. W. Parker

Commissioner



THE PORT OF NEW YORK AUTHORITY

111 Eighth Avenue at 15th Street, New York, N.Y. 10011

COMMISSIONERS

James C. Kellogg III, Chairman
 Hoyt Ammidon, Vice Chairman
 Andrew C. Axtell
 Charles W. Engelhard
 Sidney S. Hein
 James G. Hellmuth

Walter Henry Jones
 Bernard J. Lasker
 Gustave L. Levy
 William J. Rejman
 William A. Sternkopf, Jr.
 W. Paul Stillman

Austin E. Tobin, Executive Director Telephone 620-7271

October 15, 1970

General Electric Company
 641 Lexington Avenue
 New York, New York 10022

Attention: Mr. J. C. Dwyer
 Manager, Northeastern Region

Re: 80 Electric Multiple Unit Cars (Harlem
 and Hudson Divisions of Penn Central)

Gentlemen:

On October 8, 1970, the Board of Commissioners of The Port of New York Authority adopted a resolution authorizing the Executive Director of the Port Authority to enter into a contract on behalf of the Port Authority pursuant to the New York State Commuter Railroad Car Program to acquire 80 commuter railroad cars with the proceeds of a new issue or issues of The Port of New York Authority New York State Guaranteed Commuter Car Bonds for lease to the Penn Central Trustees for use in commuter railroad service on the Hudson and Harlem Divisions of the Penn Central subject to all of the terms and conditions of said resolution including the issuance and sale of such bonds, and lease of said cars directly or indirectly to said Trustees and the final approval of such lease agreement in the Proceedings in Reorganization of the Penn Central Transportation Company pursuant to Section 77 of the Federal Bankruptcy Act. Said action by the Board is also subject to approval by the Governors of the States of New York and New Jersey for a period of 10 days commencing October 9, 1970. A copy of the Minutes of the aforesaid action is annexed hereto and made a part hereof.

You will note that the resolution provides that "the Port Authority intends to issue said bonds at a future date or dates and in a manner subject to the approval of the New York State Comptroller, so that the proceeds will be available to pay for the cars."

General Electric Company

-2-

October 15, 1970

Accordingly, this is to advise you of the intent of the Port Authority to enter into a contract with General Electric Company generally on the basis of the terms, conditions and specifications contained in your letters of August 31, September 22 and October 7, 1970, Specification TSV 30018 and Contract No. 930-A between the Metropolitan Transportation Authority and The Budd Company, including all amendments to the said Contract through Amendment No. 4, for the supplying of 40 married pairs of electric multiple unit cars at a price of \$570,634 per pair. It is intended that the cars shall be equivalent to the last Metropolitan Transportation Authority M-1 Cars delivered under said Contract 930-A, as amended, modified only as aforesaid; except that the Port Authority will waive its right to require non-negotiated changes pursuant to the Special Conditions of said Contract 930-A. The contract is, of course, subject to final negotiations of the details of the definitive contract terms, the fulfilling of the terms and conditions set forth in the resolution of the Authority's Board of Commissioners, and approval by the Penn Central Trustees and Metropolitan Transportation Authority of the contract.

The price stated in the foregoing paragraph does not incorporate the 2% reduction mentioned in your letter of August 31, 1970, and is subject to revision if a progress payment schedule is mutually agreed upon.

It is understood and agreed that you will also offer the spare apparatus listed in §6.4 of Specification TSV 30018 to the Penn Central Trustees and/or Metropolitan Transportation Authority at the total price of \$396,960 and that the completed cars shall be acceptable to Metropolitan Transportation Authority.

General Electric Company shall have no obligations under this letter and may elect to terminate its efforts hereunder without liability to the Port Authority if a definitive contract shall not have been executed on or before November 10, 1970, provided however, that such definitive contract shall

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General Electric Company

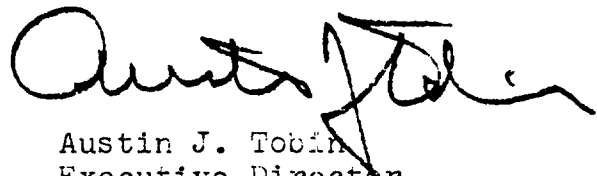
-3-

October 15, 1970

nevertheless continue to be subject to the fulfilling of the terms and conditions set forth in the resolution of the Port Authority's Board of Commissioners, which is annexed hereto.

If the foregoing is acceptable to you, would you please so indicate by signing and returning the enclosed copy of this letter.

Very truly yours,



Austin J. Tobin
Executive Director

Accepted:

GENERAL ELECTRIC COMPANY

By: 

Manager, Northeastern Region
Title: Transportation Industries Sales Operation

Date: October 15, 1970

New York State Commuter Railroad Car Program - Financing and Leasing of 80 Cars for Use in Commuter Railroad Service on the Hudson and Harlem Divisions of the Penn Central Railroad

The Executive Director reported that the New York State Metropolitan Transportation Authority (MTA) has advised Port Authority staff that it is necessary and desirable that 80 new commuter railroad cars be placed in service on the Hudson and Harlem Divisions of the Penn Central railroad. The Budd Company is completing its contract with MTA for the construction of 620 commuter railroad cars for operation on the Long Island Rail Road, of which 270 cars were acquired with the proceeds of The Port of New York Authority New York State Guaranteed Commuter Car Bonds. If the assembly line car production is continued in 1971 beyond the completion of the cars ordered by MTA, additional cars for the Penn Central would be available up to two years earlier than if a car builder undertook such construction as a new project, and at significant savings in cost. We have been advised that the General Electric Company has arranged with The Budd Company to continue production with The Budd Company acting as a subcontractor, provided that The Budd Company receives a commitment no later than October 15, 1970 to proceed with the construction of the cars.

The statutes which authorize the Port Authority to issue New York State Guaranteed Commuter Car Bonds for the purpose of leasing cars to commuter railroads operating in New York State provide that the Port Authority shall incur no expenses in connection with the purchase, ownership or leasing of the cars except out of advances from the State of New York, obligations guaranteed by the State of New York, or rentals received from the lease of the cars. The lease of railroad cars is to be on terms and conditions deemed by the Port Authority to be in the public interest and subject to the approval of the Commissioner of the New York State Department of Transportation. The time and the manner of issuance of the obligations guaranteed by New York State are subject to the approval of the Comptroller of the State of New York.

George P. Baker, Richard C. Bond, Jervis Langdon, Jr., and Willard Wirtz, Trustees of the property of Penn Central Transportation Company, Debtor, are responsible for the operation of the Hudson and Harlem Divisions of the Penn Central railroad. In order for the cars to be leased to Penn Central and for lease obligations for rail commuter cars to protect the Port Authority and the State of New York in the Reorganization Proceedings to the maximum extent practicable, approval of the Court in reorganization would be required.

The lease agreement for the cars would provide for regular rental payments in accordance with a debt service schedule on the bonds issued to finance car purchases and would be in an amount sufficient to pay such debt service (including interest and amortization of principal), and administrative, legal and financing costs incurred by the Port Authority in connection with the leasing of the cars. Bond proceeds not expended for acquisition of the cars, including net earnings realized by the Port Authority on the bond proceeds prior to expenditure, would be creditable against rental installments. Provisions with respect to use and possession of equipment, maintenance and repair thereof, and other matters customarily provided in leases of railroad equipment would be provided under the lease. The commuter car bonds and the lease would expire no later than January 1, 1997 in accordance with the provisions of the New York State Constitution authorizing the New York State guarantee.

Under the New York State Constitution, no more than \$100 million of commuter car bonds guaranteed by the State may be outstanding at any one time. At the present time, a total of \$72,345,000 in such bonds is outstanding, consisting of a balance of \$10,500,000 out of an original principal amount of \$14,250,000 which were issued for 87 commuter cars now under lease to Penn Central pursuant to agreements entered into in 1961 and 1963, and a balance of \$61,845,000 out of an original principal amount of \$63,000,000 issued for 8 locomotives and 270 passenger cars under lease to Metropolitan Transportation Authority for use on the Long Island Rail Road. Commuter car bonds in the amount of \$5,475,000 for 30 commuter railroad cars for the Long Island Rail Road were retired in 1966 out of the proceeds of rental payments from the railroad.

Although the exigencies of the Proceedings in Reorganization of the Penn Central Transportation Company and the limitations in time imposed by the car builder's deadline of October 15 are substantial impediments, staff believes that the objective of putting 80 new commuter railroad cars into service as early as 1971 is worth pursuing.

Whereupon, the following resolution was unanimously adopted:

RESOLVED, that the Executive Director be and he hereby is authorized to enter into a contract on behalf of the Port Authority pursuant to the New York State Commuter Railroad Car Program as provided for in Chapter 638, Laws of New York 1959, as amended, Article 10, Section 7 of the New York State Constitution and Chapter 25, Laws of New Jersey 1959, to acquire 80 commuter cars with the proceeds of a new issue or issues of The Port of New York Authority New York State Guaranteed Commuter Car Bonds, at a cost not exceeding \$25,000,000 for

lease, directly or indirectly, to George P. Baker, Richard C. Bond, Jervis Langdon, Jr., and Willard Wirtz, Trustees of the property of Penn Central Transportation Company, Debtor (the Penn Central Trustees), for use in commuter railroad service on the Hudson and Harlem Divisions of the Penn Central railroad, such cars to be substantially similar to the 270 cars purchased by the Port Authority from and leased back to the New York State Metropolitan Transportation Authority (MTA) for use in commuter railroad service on the MTA subsidiary Long Island Rail Road; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized to execute on behalf of the Authority pursuant to said Commuter Railroad Car Program a lease of said 80 commuter railroad cars directly or indirectly to the Penn Central Trustees for use in commuter railroad service on the Hudson and Harlem Divisions of the Penn Central railroad which shall include provisions similar to those in the Port Authority's existing leases of commuter railroad cars which provide for the payment of rental sufficient to cover debt service on and the Port Authority's expenses in connection with the cars and which shall include security provisions acceptable to the Executive Director acting with the advice of General Counsel; and it is further

RESOLVED, that the Port Authority intends to establish an issue or issues of New York State Guaranteed Commuter Car Bonds in accordance with the Commuter Railroad Car Program in an amount not exceeding \$25,000,000, but in no event in an amount of bonds greater than that which shall be guaranteed by the State of New York, for the purchase of 80 railroad cars for lease, directly or indirectly, to the Penn Central Trustees for use in commuter railroad service on the Hudson and Harlem Divisions of the Penn Central railroad; and it is further

RESOLVED, that the Port Authority intends to issue said bonds at a future date or dates and in a manner subject to the approval of the New York State Comptroller, so that the proceeds will be available to pay for the cars; and it is further

RESOLVED, that the Port Authority shall incur no expenses in connection with the purchase, ownership and leasing of said 80 commuter railroad cars, except out of the proceeds of the issuance of New York State Guaranteed Commuter Car Bonds or the rentals received from the lease of said cars and, therefore, the purchase and lease of the cars shall be subject to the issuance and sale of said bonds, the issuance of said bonds shall be subject to the execution of the agreement for the purchase of the cars, the execution of the agreement for the lease of the cars, the final approval of the lease agreement in the Proceedings in Reorganization of the Penn Central Transportation Company pursuant to Section 77 of the Federal Bankruptcy Act, the approval of said lease agreement by the Commissioner of the New York State Department of Transportation, and all requirements of law; and it is further

RESOLVED, that said agreements of purchase and lease and all other documents in connection with the foregoing matters shall be subject to the approval as to form by General Counsel or his designated representative.

Metropolitan
Transportation
Authority

1700 Broadway New York, New York 10019

October 12, 1970

Messrs. George P. Baker, Richard C. Bond,
Jervis Langdon, Jr., and Willard Wirtz
Trustees of the Property of Penn Central
Transportation Company
6 Penn Center Plaza
Philadelphia, Pennsylvania

Gentlemen:

Following our recent discussions, we submit for your consideration the following proposal for public support of the Harlem and Hudson commuter services.

We urge your acceptance of this proposal at the earliest possible date. As you know, General Electric Company has made an offer, good only until October fifteenth, to build for you the 80 new cars contemplated in MTA's Harlem-Hudson capital improvement program at a price which in our judgment cannot be matched elsewhere and under a delivery schedule which would have all the cars on the property before the end of 1971 (instead of the planned 1973 delivery schedule). This advantageous price and schedule results from the availability of the Budd assembly line, as the GE offer indicates. The cars would be an add-on to the contract under which Budd is currently building the Long Island Rail Road's 620 cars.

Capital funds for the remainder of MTA's Harlem-Hudson capital improvement program - \$44 million in amount - were appropriated to MTA by Chapter 473 of the Laws of New York for 1970. Section 2 of this statute provides that these funds are not available until we enter into a formal support arrangement with Penn Central. No other legislative action is required, so that if you accept this proposal, MTA can go forward on the remainder of that program.

October 12, 1970

Following is a description of the business terms of the support arrangement we are proposing:

1. MTA Lease of Right of Way: Grand Central Terminal to Dover Plains & Poughkeepsie

We would have a lease agreement with you whereby we would lease all of Penn Central's transportation properties used in whole or in part in the suburban service from Grand Central Terminal to Dover Plains on the Harlem Line and to Poughkeepsie on the Hudson Line for a term of 60 years, including Grand Central Terminal itself (but not the air rights over the Grand Central Terminal station building). The lease would include stations, yards and shops, with necessary adjacent lands, except those used solely for freight at the present time.

The rent would be a nominal \$1 per annum, except that a rental would be payable with respect to the Grand Central Terminal station building itself and the transportation properties south of Woodlawn Junction in an annual amount equal to the Harlem and Hudson proportion of the ICC-permitted depreciation on all facilities presently in place in that area. That proportion would be calculated on the basis of car and locomotive entrances. We understand that this rental would presently come to approximately \$600,000 a year. Like the depreciation account, this rental would diminish over the years in accordance with a mutually agreeable schedule. The leasehold would not include air or subsurface rights.

Penn Central would reserve trackage rights over the leased right-of-way so that it can continue to operate its freight service and its long-haul passenger service into Grand Central. Penn Central would have to pay for power consumed and would also be assessed its proportionate share of Grand Central net expense to the extent existing long-haul passenger use levels are exceeded, but the trackage rights would otherwise be without charge, both for freight and long-haul passenger so long as agreed upon levels of usage are not exceeded.

October 12, 1970

The leasehold would be subject to all liens and encumbrances. It would also be subject to the contemplated GCT Joint Facility Agreement which guarantees access to Grand Central Terminal for the New Haven Service. As lessee, MTA would succeed to Penn Central's obligations (except that Penn Central would remain obligated for the annual \$2,000,000 credit referred to in the New Haven arrangement) and would be entitled to exercise all of Penn Central's underlying rights, including the right to make capital improvements.

Thus, under the lease MTA would bear the expense of operation, including real estate taxes, and would be entitled to the revenues which Penn Central would ordinarily collect, including revenues from sub-leases, easements and concessions (at Grand Central Terminal as well as elsewhere upon the leasehold) and payments due under the New Haven GCT Joint Facility Agreement. Penn Central's right to the income from the so-called terminal properties at Grand Central (the hotels, the air-rights buildings, etc.) would not be affected, of course, since these improvements would not be covered by the leasehold.

The lease would also serve as the vehicle for hiring Penn Central to perform MTA's inherited obligations under the New Haven arrangement.

The lease would have termination provisions similar to those used in the New Haven arrangement.

2. Service Contract

We would have a service contract with you substantially similar to that which will be used in the New Haven arrangement, save that the annual fixed fee would be \$125,000 and the contract could not be terminated within the first five years unless another carrier is substituted.

October 12, 1970

All of the rolling stock presently used in the Harlem-Hudson operation would be committed to remain in the service as long as needed. Penn Central would be entitled to charge against the service depreciation (in accordance with a depreciation schedule to be agreed upon) and equipment-trust debt service on such of the rolling stock as remained in its ownership. MTA would purchase from Penn Central the 100 MU cars built in 1950 at depreciated book - roughly \$4.3 million total - and would promptly lease them back at a nominal rental for use in the service. The Port Authority rentals on the 87 existing MU cars and on the 80 new cars (which would also be financed through the Port Authority) would be chargeable to the service. If MTA terminated the service contract and substituted another carrier, MTA would formally cause the assumption of Penn Central's rights and obligations under the Port Authority leases. In the event MTA brought in a new carrier, Penn Central would, if requested by MTA, lease the remainder of the committed rolling stock still owned by Penn Central to MTA at rentals sufficient to cover depreciation (in accordance with a depreciation schedule to be agreed upon) and to pay equipment-trust debt service.

Within four months of the formal commencement of the arrangement, MTA would select a site for the proposed equipment maintenance and repair shop facility and would promptly undertake its construction. MTA would also promptly construct high level platforms at the stations to be served by the 80 new cars.

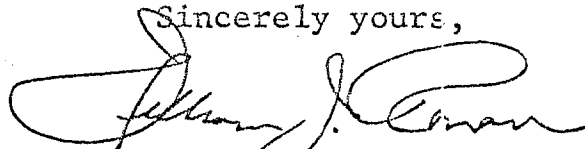
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If this proposal is acceptable to you, would you please so indicate by returning the original signed by you. An extra signed copy of this letter is enclosed for your retention. It is understood that this proposal and your acceptance thereof shall not be binding in a contractual

October 12, 1970

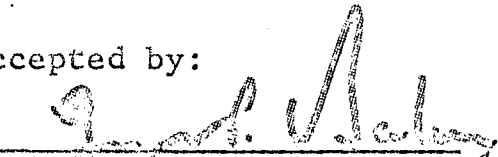
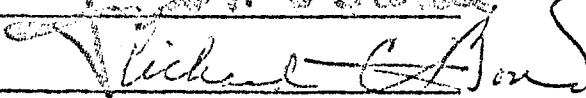
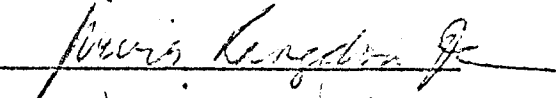

sense. It is our firm mutual intent that the arrangement be reduced to formal binding writings prior to January 1, 1971.

Sincerely yours,



William J. Ronan
Chairman

Accepted by:





Trustees